

# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Financial Performance Report (Revenue and Capital) Quarter 3 – 2017-2018</b>	
<b>Report No:</b>	<b>PAS/FH/18/006</b>	
<b>Report to and dates:</b>	<b>Performance and Audit Scrutiny Committee</b>	31 January 2018
<b>Portfolio holder:</b>	Councillor Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:Stephen.edwards@forest-heath.gov.uk">Stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	This report sets out the Financial Performance for the third quarter of 2017-18 and forecasted outturn position for 2017-18.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>Members are requested to <u>note</u> the year end forecast financial position and forward any relevant issues or comments to Cabinet for their consideration.</b>	
<b>Key Decision:</b>  (Check the appropriate box and delete all those that <b><u>do not</u></b> apply.)	Is this a Key Decision and, if so, under which definition? Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

<b>Consultation:</b>	<ul style="list-style-type: none"> <li>This report and the figures therein have been compiled by the Finance team in consultation with the relevant budget holders, services and Leadership Team.</li> </ul>		
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available.</li> </ul>		
<b>Implications:</b>			
Are there any <b>financial</b> implications? If yes, please give details	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>As set out in the body of this report.</li> </ul>		
Are there any <b>staffing</b> implications? If yes, please give details	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>		
Are there any <b>ICT</b> implications? If yes, please give details	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>		
Are there any <b>legal and/or policy</b> implications? If yes, please give details	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>As outlined in the body of this report.</li> </ul>		
Are there any <b>equality</b> implications? If yes, please give details	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>		
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Budget variances	High	Clear responsibilities for budget monitoring and control ensure that there is strong accountability for each individual budget line. Budget monitoring is undertaken on a monthly basis with budget holders and reported to Leadership Team quarterly.	Low
Wider economic situation around income levels	High	Budgets reflect the economic situation facing the Council, and have been scrutinised by officers and members at budget setting time. Continue to monitor areas closely to ensure assumptions remain reasonable.	Medium
Capital investment plans continue to be affordable, prudent and sustainable	Medium	Prudential Indicators are in place to safeguard the Council	Low

Treasury Management	Medium	Treasury Management Policy and Procedures are in place	Low
Fluctuation in Business rate retention yield	High	Work with ARP to understand the variance to deliver a realistic forecast.	Medium
<b>Ward(s) affected:</b>		All Ward	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		Budget and Council Tax Setting 2017/2018 and Medium Term Financial Strategy 2017-2021 (Report No: COU/FH/17/005) <a href="https://democracy.westsuffolk.gov.uk/mgAi.aspx?ID=10399">https://democracy.westsuffolk.gov.uk/mgAi.aspx?ID=10399</a>	
<b>Documents attached:</b>		<p><b>Appendix A</b> – Revenue budget summary, for the period April to December 2017.</p> <p><b>Appendix B</b> – Revenue budget detail, for the period April to December 2017.</p> <p><b>Appendix C</b> – Capital budget summary, for the period April to December 2017.</p> <p><b>Appendix D</b> – Earmarked Reserves for 2017/18</p>	

## 1. Key issues and reasons for recommendation(s)

### 1.1 Key Issues

1.1.1 This is the third quarter financial monitoring report for Forest Heath District Council; which includes year end forecast outturn figures for large variance items we are aware of. We will continue to monitor the position throughout the year and will update members on any change to this position at the next PASC meeting.

1.1.2 Details of the Council's revenue performance and year end forecasted outturn position can be found in **Appendix A** and **B**. Explanations of the main year end forecast over/(under) spends can be found in the table at 1.2.3.

1.1.3 The Council's capital financial position is summarised below at 1.3. Further details are provided in **Appendix C**.

1.1.4 A summary of the earmarked reserves can be found at **Appendix D** along with the forecast year end position for 2017/18. This appendix is to be considered in the context of the planned medium term reserve position as agreed as part of the Budget and Council Tax 2017/18 setting report in February 2017 (Report No: COU/FH/17/005), specifically attachment D, appendix 3 Reserves.

### 1.2 Revenue Performance

1.2.1 The current forecast position for the year end is expected to be on budget. Explanations of the main year end forecast over / (under) spends can be found in the table at 1.2.3 below.

1.2.2 Members are requested to note the current position and the significant variances as outlined in the paragraphs below.

Budget holders will continue to work with Resources Business Partners and Business Support Advisors and the final outturn position will be provided to this committee at the end of the financial year.

1.2.3 Year end forecast variances over £25,000 are explained in the following table.

<b>Year end forecast variance: Over / (under) spend £000s</b>	<b>Explanation</b>
108	<p><b><u>Non-Distributed Costs:</u></b></p> <p>The forecast includes Forest Heath's share of the Pension Capital Costs payment in respect of ill health retirement contributions (over and above our annual allowance – linked to our current pension contribution rates) under the local government pension scheme rules.</p> <p>This is a one-off cost that we are accommodating within the overall budget position.</p>

Year end forecast variance: Over / (under) spend £000s	Explanation
46	<p><b><u>Democratic Services:</u></b></p> <p>The Forecast includes Forest Heath’s share of the additional costs to be incurred as a result of the General Data Protection Regulation requirements. £30k has therefore been included in the base costs, with an additional £30k transferred to reserves in respect of 2018/19.</p> <p>We are currently assuming that we will be able to accommodate these additional costs within the overall budget position as reported to Cabinet in October 2017.</p>
(27)	<p><b><u>Policy:</u></b></p> <p>The staff saving represents a combination of a vacancy in the projects team which will be filled in the new year, once the wider review of resourcing is complete and a secondment of a part time member of staff to fill a full time post.</p>
48	<p><b><u>Building Control:</u></b></p> <p>This variance is primarily due to a forecasted underachievement of fee income.</p> <p>Fee income is being closely monitored during 2017/18. The assumptions around income going forward, based upon the council’s market share and the team’s capacity are being considered as part of the budget setting process.</p>
32	<p><b><u>Environmental Management:</u></b></p> <p>Underachievement of fee income currently forecasted. This is due to timing differences in the rollout of the Community Energy Plan (see also appendix C, Capital Programme).</p> <p>Solar for business income is being closely monitored during 2017/18 in line with recent Capital investment with regard to budget assumptions going forward.</p>
Year end	Explanation

forecast variance: Over / (under) spend £000s	
(107)	<p><b><u>Compostable Collection (Brown Bins):</u></b> We are currently in year two of a three year transitional period for the introduction of the subscription-based garden waste collection service.</p> <p>Take-up of the service has continued to be strong and it is performing well. Budgets for the scheme were prudent and performance is currently well under the levels set. There is an aspiration that it can ultimately be fully cost neutral (ie. only those that use it, pay for it) and whilst this isn't yet the case, we are working towards this outcome for the future.</p> <p>This cost centre currently includes a £40k transfer to the Invest to Save Reserve, representing one third of the projected year end position. This reflects the three year nature of the Garden Waste Scheme, and is prudent in terms of the future cost sharing arrangements.</p>
(45)	<p><b><u>Industrial and Business Units:</u></b></p> <p>Rental income is currently forecast to exceed budget, and in addition there is a forecast underspend on landlord costs as a result of better occupancy than anticipated.</p>

### 1.3 **Capital Position**

1.3.1 The following table gives a high level summary of capital expenditure against budget for 2017/18. Further details by capital project can be found at **Appendix C**.

#### 1.3.2

The Resources Team will continue to work with Budget Holders to monitor capital spend and project progress closely for the remainder of the financial year and an updated position will be presented to this committee on a quarterly basis.

Assistant Director	2017/18 Revised Full Year Budget	2017/18 Actual Spend to Date	2017/18 Forecast Spend	2017/18 External Grant Funded	2017/18 Carried Forward	2017/18 Forecast Over / (under) Spend
	£000s	£000s	£000s	£000s	£000s	£000s
Resources & Performance	3,782	216	216	216	3,782	0
Human Resources, Legal & Democratic	14	0	14	0	0	0
Families & Communities	441	50	50	0	391	0
Planning & Regulatory	2,002	478	813	191	1,381	0
Operations	3,970	195	1,942	33	2,101	40
Growth	10,500	0	0	0	10,500	0
<b>Totals:</b>	<b>20,709</b>	<b>939</b>	<b>3,035</b>	<b>440</b>	<b>18,155</b>	<b>40</b>